

II.

FINDINGS

A. Alleged Failure to Disclose Contributions in Detail

- 2.1 On September 14, 2004, a letter was received from Paul Berendt, Chair of the Washington State Democratic Central Committee, notifying the Public Disclosure Commission that WSDCC planned to transfer funds from its Federal Account to its State Non-Exempt Account. **(Exhibit 2)** The letter stated that the contributions to be transferred were from individual donors, and that each would be reported to the PDC in accordance with this agency's rules for reporting monetary contributions on forms C-3 and C-4.
- 2.2 On September 16, 2004, Susan Harris, Assistant Director of the PDC at that time, sent a letter to Mr. Berendt, confirming that the individual contributions composing the amount to be transferred to the WSDCC State Non-Exempt Account should be reported on form C-3 in accordance with state law. **(Exhibit 3)**
- 2.3 On October 22, 2004, a form C-3 was electronically filed by WSDCC for the committee's State Non-Exempt Account, indicating a deposit of \$394,544 on October 4, 2004. **(Exhibit 4)** The source of the funds was listed on the report as "WSDCC Federal." No individual contributors were disclosed on the report. The report of this activity should have been filed on October 12, 2004.
- 2.4 Former PDC Assistant Director Susan Harris spoke with Annette Anderson, then WSDCC's Chief of Staff, on two occasions regarding the required individual contributor detail needed for WSDCC's \$394,544 transfer from its federal account. She contacted Ms. Anderson on October 29, 2004; Ms. Harris stated that it was likely she brought up the missing contributor detail in this call, as she would have wanted the detail disclosed in WSDCC's reports before the November 2, 2004 general election. Ms. Harris believes her next contact with Ms. Anderson concerning the missing contributor detail occurred in December 2004.

- 2.5 On January 20, 2005, Ms. Anderson contacted PDC investigator Tony Perkins, stated that she hoped the C-3 with individual contributor detail would be filed the following day, and said she would contact PDC staff with an update.
- 2.6 Mr. Berendt stated to PDC staff that he was contacted by Susan Harris on Friday, January 21, 2005 regarding the missing individual contributor detail. Ms. Harris attempted to contact Mr. Berendt on January 24, 2005, about the extended delay in the appropriate filings for the C-3 form. She left a message for him at that time.
- 2.7 On January 24, 2005, the WSDCC electronically filed a form C-3 for the committee's State Non-Exempt Account, disclosing the individual sources of \$394,544 in contributions deposited on October 4, 2004. **(Exhibit 5)** The report numbered 332 pages, and included more than 3,641 itemized contributions. Because it was initially filed as an original report, rather than an amendment of the October 22, 2004 C-3, it was replaced by an amended report on January 26, 2005.
- 2.8 The individual sources of \$394,543 in contributions transferred on October 4, 2004 from WSDCC's federal account to its State Non-Exempt Account were required to be disclosed on form C-3 on October 12, 2004. (This C-3 would normally be due on the Monday following the date of deposit, but Monday October 11, 2005 was a federal holiday.) The contributions were first disclosed in detail on form C-3 on January 24, 2005, 104 days late.

Letter of Explanation from Paul Berendt

- 2.9 Prior to the initiation of the complaint in this case, on February 18, 2005, a letter was received from Paul Berendt, Chair of the WSDCC. **(Exhibit 6)** The letter addressed WSDCC's reporting of the transfer of funds from the committee's Federal Account to its State Non-Exempt Account, and reporting of debts to political consultants for candidate support expenditures.

Regarding the transfer of \$394,544, and the time it took for WSDCC to file C-3 reports disclosing details of the individual contributions which made up this amount, Mr. Berendt stated that the party's federal disclosure compliance software contained a security feature which prevented an automatic transfer of contributor data to the party's software for state-level disclosure. He stated that the party's software developer began work on a solution to transfer the data between reporting systems. In the interim, he stated, the identities of the individual contributors were available to the

public on WSDCC's Federal Account reports, posted to the Federal Election Commission's Web site.

2.10 In his February 18, 2005 letter, Mr. Berendt stated that:

- He asked his staff in November of 2004 if the data concerning individual contributors had been transmitted to the PDC. He stated that he was told the transfer of data was underway, and that his staff was in regular contact with PDC staff regarding the transfer.
- He inquired of WSDCC staff again in December 2004, and was told that the transfer of data was complete. He said he later learned that his staff's assertion was not true.
- He was informed through a message from PDC staff on January 21, 2005 that no details of individual contributions in the \$394,544 transfer had been disclosed to the agency. He stated that until January 21, 2005, he was unaware that the reports were still missing.
- Because his committee's treasurer was out of the office, he inquired on the next business day, January 24, 2005, and learned that the reports had not in fact been filed with the PDC as previously stated to him. He stated that he then took steps to ensure that the detailed contributor reports were filed that same day.

Mr. Berendt stated that if he had been aware of the lapse in reporting, and aware that his staff had not been in contact with PDC staff as stated, he would have taken action sooner to file the missing reports, as evidenced by his immediate action when the omission was discovered.

Interview with Phil Lloyd

2.11 Phil Lloyd is a private consultant retained by the WSDCC to review the books and operations of the WSDCC and to prepare amendments to the committee's contribution and expenditure reports for the party's 21-day, 7-day and post election C-4 reports for the 2004 election. On May 16, 2005, Mr. Lloyd was interviewed under oath. In the interview, Mr. Lloyd stated that he was retained by WSDCC on approximately January 27, 2005 to prepare amendments to the committee's contribution and expenditure reports. He stated that contributions from individuals are required to be itemized in FEC reports when the contributor has given more than \$200 in the aggregate during the calendar year.

Review of FEC Filings by WSDCC

- 2.12 PDC staff reviewed certain WSDCC reports filed with the FEC for its federal account during 2004, and noted that itemized contributions were, almost without exception, from contributors who had given more than \$200 in the aggregate during that year.

Staff compared the C-3 report filed on January 24, 2005 for WSDCC's \$394,543 transfer from the party's federal account with the WSDCC's FEC filings. \$196,400 of the itemized contributions included in this transfer were from contributors who had given \$200 or less in the aggregate during 2004, and were thus not required to be itemized in the party's FEC reports.

Staff searched FEC reports filed by WSDCC for itemized contributions from contributors who had given \$200 or less in the aggregate that subsequently appeared on the January 24, 2005 C-3 report. Fifteen contributors whose aggregate contributions to WSDCC during 2004 were between \$175 and \$200 were randomly selected to see if they had been itemized on the FEC reports. Staff found an itemized listing of only one of the selected contributions in the party's federal reports. The review showed that the remaining fourteen contributions were reported in itemized form for the first time in the party's January 24, 2005, C-3 report filed with the PDC.

Interview with Paul Berendt

- 2.13 On March 18, 2005, Mr. Berendt was interviewed under oath. Mr. Berendt stated that he reviewed the October 22, 2004 C-3 electronically filed by WSDCC for the committee's State Non-Exempt Account, disclosing a deposit of \$394,544 on October 4, 2004. He stated that he noted that the original report did not contain the names of individual contributors whose funds made up the transfer. He stated that at that time, he instructed Ms. Anderson to file an amended report disclosing the details of individual contributions; further, he stated that he instructed her to maintain an open dialogue with PDC staff regarding the progress she was making in preparing the amended report. From Ms. Anderson's subsequent statements to him, he said he was given to understand that she was in communication with PDC staff.

Mr. Berendt stated that after the 2004 general election, he spoke with Ms. Anderson and inquired about the status of the report containing details of individual contributors for the \$394,544 transfer. He stated that Ms. Anderson stated to him that the report *"had been taken care of."*

- 2.14 Mr. Berendt stated that Ms. Anderson left her position as Chief of Staff of WSDCC on January 27, 2005, and that after she left he discovered a note on her desk indicating that PDC staff had attempted to contact her; he stated that there was thus some evidence of interaction between Ms. Anderson and PDC staff regarding this reporting issue. He stated that until he was contacted by Susan Harris of PDC staff on January 21, 2005, he believed that the detailed contributor information had been disclosed. He stated that when he was alerted to the fact that the details had not yet been disclosed, he was out of the state, but that he nevertheless "*moved Heaven and earth to get the reporting done immediately.*" He stated that if he had known earlier that the report had not been filed, he would have acted just as quickly.

Interview with Annette Anderson

- 2.15 On April 28, 2005, staff interviewed Annette Anderson under oath. Ms. Anderson was largely unresponsive to staff's questions. When asked about the process by which contribution and expenditure information was reported by WSDCC, she stated that she could not recall the details, and preferred not to answer.

Summary of Late Contribution Reporting

- 2.16 Based on the foregoing facts, PDC staff has determined that the \$394,544 deposit by WSDCC was reported 10 days late, and the identification of the individual contributors to this deposit was reported 104 days late.

B. Alleged Failure to Disclose Debts and Orders Placed

- 2.17 On February 15, 2005, WSDCC independent auditor Phil Lloyd contacted PDC staff. Mr. Lloyd stated that his audit had uncovered that a significant amount of debt incurred through candidate support expenditures and required to be reported by the WSDCC's State Non-Exempt Account prior to the November 2, 2004 general election had not been reported. He estimated that the unreported debt was on the order of \$600,000; he stated that this debt would be disclosed on amended C-4 reports he was preparing to submit that day for several reporting periods in late 2004.

On February 15, 2005, amended C-4 reports were submitted by WSDCC for the 21 and 7 day pre-general election and post-election reporting periods. The reports listed a total of \$834,989 in debts incurred or outstanding during the periods covered by the reports. Some part of this

debt appeared to be duplicative, or carried over from one reporting period to the next.

- 2.18 On February 25, 2005, a complaint was filed by Vicki Rippie, alleging that WSDCC may have violated RCW 42.17.080 and .090 by failing to timely disclose debts and orders placed that totaled \$704,815 for candidate support expenditures during the 2004 election cycle. **(Exhibit 1)**
- 2.19 A review of the amended reports demonstrated that \$124,521 in debts for candidate support expenditures during the 21 day pre-general election period of September 7 through October 5, 2004 were required to be disclosed by WSDCC on the C-4 due on October 12, 2004. The original report for this period was timely filed on October 12, 2004, but no debts or orders placed were reported. **(Exhibit 7)** The debts were first disclosed on the amended C-4 report filed on February 15, 2005, 126 days late. **(Exhibit 8)**
- 2.20 A review of the amended reports demonstrated that \$666,237 in debts for candidate support expenditures incurred or outstanding during the 7 day pre-general election reporting period of October 6 through 25, 2004 were required to be disclosed by WSDCC on the C-4 due on October 26, 2004. The original report for this period was timely filed on October 26, 2004, but did not disclose any debts or orders placed. **(Exhibit 9)** The debts reportable for this time period were first disclosed on the amended C-4 report filed on February 15, 2005, 112 days late. **(Exhibit 10)** \$541,716 of the amount listed on the amended report was new debt, not disclosed in the C-4 covering the 21 day pre-general election reporting period.
- 2.21 A review of the amended reports demonstrated that \$703,801 in debts or orders placed for candidate support expenditures incurred or outstanding during the post-election reporting period of October 26 through November 30, 2004 were required to be disclosed by WSDCC on the C-4 due on December 10, 2004. The original report was timely filed on December 10, 2004, but it disclosed only \$659,570 of the actual \$703,801 in debt. **(Exhibit 11)** Of the remaining \$44,231 in debt that should have been included on the original post-election report, \$5,653 did appear on the amended 7 day pre-general election report. The remaining \$38,578 was new debt, incurred during the post-election period. This new debt was first disclosed on the amended C-4 report filed on February 15, 2005, 67 days late. **(Exhibit 12)**
- 2.22 A total of \$704,815 in unique debt was required to be disclosed by WSDCC on the 21 and 7 day pre-general election C-4 reports, and on the post-general election report, and was disclosed between 67 and 126 days late as noted below:

<u>C-4 Report</u>	<u>Debts</u>	<u>Days Late</u>
21-day C-4	\$124,521	126
7-day C-4	\$541,716	112
Post Election	<u>\$ 38,578</u>	67
Total Debt	\$704,815	

Letter of Explanation from Paul Berendt

- 2.23 In his February 18, 2005 letter, Mr. Berendt stated that he reviewed WSDCC's December 10, 2004 post-general election C-4 report at the time that it was filed and noted that the reporting of debts and outstanding obligations appeared low. As a result, he asked Phil Lloyd to review the WSDCC's records and file an amended report to correctly report the outstanding debt. He stated that the difference in unreported debt for the post election period amounted to approximately \$44,230; he stated that this discrepancy could be explained by late invoices from vendors, which in many cases were not provided until after election day. He acknowledged that some of this debt was required to be disclosed on reports prior to the post-election C-4, and stated that the debts were finally disclosed by early December of 2004.

Mr. Berendt stated that information concerning the party's candidate support expenditures was available to the public through reports of Last Minute Contributions posted to the PDC Web site. He stated that these reports were prepared using "best effort estimates" provided by the consultants who conducted candidate support mailings. He stated that while the debt was reported late, the party's actual expenditures on behalf of candidates were reported timely.

Review of LMC Filings by WSDCC

- 2.24 Last Minute Contribution (LMC) reports must be filed by a political party or political committee that makes monetary or in-kind contributions totaling \$1,000 or more in the aggregate to one recipient within a special reporting period. The reports are required to be filed within 24 hours of the date the contribution triggering the requirement is made. In the 2004 election, the special reporting periods were September 7 through 13, 2004, and October 12 through November 1, 2004.

Mr. Berendt stated that even though the WSDCC's C-4 reports listed in the PDC complaint failed to contain debts and obligations, this error was mitigated by the fact that the party filed LMC reports for the candidates it

supported, thus disclosing, in part, the activity that should have been listed as debts and obligations.

PDC staff compared the party's LMC reports to the debt disclosed on the amended C-4 reports filed on February 15, 2004 and identified 33 candidates benefited by WSDCC candidate support expenditures that were required to be reported as outstanding debts and obligations.

(Exhibit 13) In less than half of these cases, WSDCC's debts or obligations for candidate support expenditures closely approximated the amounts listed on LMC reports.

In addition, LMC reports are not an indicator of a committee's outstanding obligations, because they do not indicate whether an expense has been paid.

Interview with Paul Berendt

- 2.25 In his March 18, 2005 interview, Mr. Berendt stated that he personally reviewed the 21 day pre-general election C-4 report for the period of September 7 through October 5, 2004, filed on October 12, 2004. He stated that the fact that the report showed zero outstanding debts and liabilities did not catch his attention, in part because he believed that the party's debts for the primary election were then paid in full.

He stated that he also reviewed the 7 day pre-general election C-4 report for the period of October 6 through October 25, 2004, filed on October 26, 2004. He stated that he did not note that zero outstanding debts and liabilities were reported on the form, in part because he was focused less on the reporting of debt than he was on correct and timely reporting of monetary and in-kind contributions, to ensure that the public could see who the party was supporting. In addition, he attributed his failure to notice the unreported debt to what he called an optical illusion; he stated it was more difficult for him to notice a mistake in a zero entry on the C-4 report, than it would be to notice a mistaken entry where some dollar amount had been reported. He stated that *"[b]ecause there was nothing reported it didn't raise an alarm bell in my mind whereas when, in the later report when some reporting was done I really focused on that..."*

- 2.26 Mr. Berendt stated that in December of 2004, he reviewed the post-election report for the period of October 26 through November 30, 2004, and noted that the listing of unpaid debt on line 19 of the form appeared low. He stated that he approached Annette Anderson and asked her to review the party's outstanding debt reportable on the post-election C-4; he stated that she asserted that the reporting of debt was accurate. He stated that when Ms. Anderson left her position as Chief of Staff, he

retained Phil Lloyd to examine the reports and background records, and that Mr. Lloyd confirmed that the post-election report of debt was approximately \$40,000 understated.

Interview with Jaxon Ravens

2.27 On May 16, 2005, Jaxon Ravens, current Executive Director of WSDCC, was interviewed under oath to determine whether documentation of candidate support activities by consultants was sent to the WSDCC accounting staff. Mr. Ravens stated that during the 2004 election campaign, prior to becoming the party's Executive Director, his role was to process mail pieces (i.e., issue ads and candidate support advertisements) from consultants and candidates, making sure that the expenditures were paid and that funds were available in the bulk mailing account so that the pieces were sent out properly.

2.28 Mr. Ravens described the process by which WSDCC-sponsored mail pieces were produced and the information regarding these pieces was communicated to the party's compliance staff for reporting. Mr. Ravens stated that this process began when the party received a general mail plan from the consultant retained by a given candidate. He stated that following this, the party would receive a sample of the mailing the consultant hoped to produce for that candidate. He stated that he would review these samples with Paul Berendt. Following this, Mr. Ravens stated that he would contact the consultant to convey approval for each piece or to request changes.

At the same time, he stated that he produced a summary listing the various payees involved in the expenditure and the estimated cost owed to each vendor. He stated that he would deliver this document to Annette Anderson in the WSDCC's accounting office the same day. He stated that after the party received an invoice from the consultant, he would re-visit this summary document and enter by hand any changes to the estimated amounts listed on it. He stated that he would then submit the invoices to Ms. Anderson for payment.

2.29 Mr. Ravens provided a copy of an example of the summary described above, documenting production of a mail piece called "Mayors" sponsored to support the candidate Larry Springer. **(Exhibit 14)** The summary bore the title "EXPENSE / REIMBURSE REQUEST."

2.30 The top summary sheet for the "Mayors" piece was dated October 14, 2004. Mr. Ravens stated that this indicated the date that he submitted the initial paperwork with cost estimates to Ms. Anderson. Staff reviewed the documentation attached to the summary for the piece, and noted that the

initial proposal for the piece was submitted by Northwest Passage Consulting on October 14, 2004.

The actual cost owed to the consultant for the piece (entered by hand by Mr. Ravens under the estimated cost) was \$10,023. Staff reviewed the amended C-4 for the 7 day pre-general election reporting period submitted on February 15, 2004, and noted that the report disclosed \$10,023 debt to Northwest Passage, incurred on October 14, 2004.

Interview with Phil Lloyd

- 2.31 In his May 16, 2005 interview, Mr. Lloyd stated that when he filed amended C-4 reports for WSDCC's pre- and post-2004 general election activity, he relied largely on an accounting software system which contained records of bills issued to the party for candidate support expenditures. He stated that when he was retained, a WSDCC staff member was engaged in the process of entering bills into this system. He stated that this process involved contacting vendors to confirm that information contained in invoices was correct. He stated that in addition to utilizing this computerized record, he personally reviewed a number of invoices from vendors. He could not say what percentage of invoices he reviewed personally. He stated that he was highly confident that the amended C-4 reports filed on February 15, 2005 were an accurate statement of the debt that was reportable at the time the reports were originally filed.
- 2.32 Mr. Lloyd stated that he believed that debt required to be listed on WSDCC's pre- and post-election C-4 reports was omitted in part because the party was using a new software system, and in part because party staff were more concerned with timely, accurate reporting of contributions through LMC and expenditure reports than they were with reporting debt. At the same time, he stated that Paul Berendt was aware that the party owed a great deal to vendors for expenditures at the end of the year, and was concerned about it being reported correctly.

Prior Enforcement for 2000 Activity / Settlement Agreement & Suspended Penalty

- 2.33 On July 8, 2002, the staff of the Public Disclosure Commission began investigation of a complaint filed by PDC Executive Director Vicki Rippie against the Washington State Democratic Central Committee, alleging that WSDCC failed to report or to timely report receipt of over \$5,931,000 in contributions into its State Exempt Account during the 2000 election. In June of 2003, WSDCC and PDC reached an agreement regarding a

\$250,000 penalty for the 2000 election reporting failures. \$100,000 of this penalty was suspended provided that WSDCC committed no apparent violations of RCW 42.17 which resulted in a referral to the Attorney General's office through December 31, 2008, and provided that WSDCC satisfies the following three obligations:

1. Conduct training in PDC compliance for state, county and local party officials.
 2. Retain an outside consultant to conduct annual audits of books and operations, with the first report covering calendar year 2003 to be submitted March 31, 2004, and the final report covering 2007 to be submitted March 31, 2008.
 3. Require at least two staff members, including either the Chair or Vice-Chair, to review and approve all reports prior to filing with the PDC.
- 2.34 On June 25, 2003, a judgment was entered in Thurston County Superior Court concerning the \$250,000 penalty and providing for the jurisdiction of the PDC over the \$100,000 suspended portion. **(Exhibit 15)**
- 2.35 In his March 18, 2005 interview, Mr. Berendt stated that the WSDCC coordinated three training sessions on PDC reporting and requirements, in compliance with the settlement agreement.
- 2.36 On April 1, 2004 Mr. Berendt sent a letter to the PDC verifying that the required annual audit of the party's books had been completed by Phil Lloyd. The letter from Mr. Berendt contained a letter dated March 31, 2004 from Phil Lloyd to the WSDCC, reporting on his review of the party's 2003 books and operations. **(Exhibit 16)** The letter from Mr. Lloyd stated that his review revealed only minor discrepancies between WSDCC's records and its PDC filings. Mr. Lloyd also noted that \$34,233 in obligations to political consultants for the WSDCC's in-kind contributions in October of 2003 appeared not to have been reported as debt on the party's 7 day pre-general election C-4 report, and were disclosed on the C-4 only after the debts had been paid.
- 2.37 Mr. Lloyd stated that before issuing his March 31, 2004 letter to Mr. Berendt, he met with Annette Anderson as a courtesy to go over the issues discussed in his findings.
- 2.38 In his March 18, 2005 interview, Mr. Berendt stated that the WSDCC attempted to conduct a review by two staff members of all reports filed during 2004, in compliance with the June 2003 settlement agreement; however, he could not state that every report had been reviewed. He stated that for several months he personally attempted to review the party's reports, by viewing report images on the PDC's Web site after the reports had been filed. Otherwise, he stated that Annette Anderson would

have both prepared and reviewed reports, and that a member of her support staff would have reviewed reports as well. He stated that WSDCC did have a Vice Chair during 2004, but that this individual was not acting in that capacity through much of that year due to a family member's injury.

Limited-Scope Audit of 2002 Election Activity of WSDCC

- 2.39 On February 2, 2004, then PDC Chief Political Finance Specialist Kurt Young completed a limited scope audit of the 2002 election activities of WSDCC. The purpose of the audit was to examine the level of compliance with specific reporting requirements of the Public Disclosure Law by reviewing a number of contribution and expenditure activities undertaken by the committee.

In an Auditor's Opinion Letter (**Exhibit 17**) sent to WSDCC Chair Paul Berendt on May 20, 2004, Mr. Young noted that no orders placed, debts or obligations were reported by WSDCC's State Non-Exempt Account for the 2002 general election. Based on his review of political consultant invoices submitted by WSDCC for the audit, Mr. Young concluded that approximately \$185,740 in expenditures made by WSDCC to political consulting firms for candidate support expenditures should have been reported as orders placed, debts or obligations. He reminded Mr. Berendt that WSDCC was required by WAC 390-16-205 to report expenditures by consultants as if they had been made or incurred by WSDCC directly, and enclosed a copy of the rule with his letter. He recommended that WSDCC develop better internal controls to track orders placed, debts and obligations made through political consultants for the 2004 election cycle.

- 2.40 Also on May 20, 2004, a letter was sent by Philip Stutzman, the PDC's Director of Compliance, to Mr. Berendt, to accompany the Auditor's Opinion Letter sent that same day. (**Exhibit 18**) In his letter, Mr. Stutzman cautioned Mr. Berendt that WSDCC was required to adhere to disclosure and reporting requirements, including the requirement to disclose orders placed with political consultants. He warned Mr. Berendt that failure by WSDCC to comply with reporting requirements during future election cycles, including the specific requirements for orders placed, debts and obligations, could result in enforcement action.

III.

SCOPE

- 3.1 Staff reviewed a complaint against WSDCC filed by PDC Executive Director Vicki Rippie on February 25, 2005.
- 3.2 PDC staff reviewed a settlement agreement and judgment entered in Thurston County Superior Court on June 25, 2003 in Public Disclosure Commission vs. WSDCC.
- 3.3 Staff reviewed a letter from Paul Berendt, WSDCC Chair, to the PDC received on April 1, 2004, containing a letter dated March 31, 2004 from Phil Lloyd to the WSDCC.
- 3.4 Staff reviewed an Auditor's Opinion Letter in PDC Case No. A03-044, dated May 20, 2004, signed by Kurt Young of PDC staff.
- 3.5 Staff reviewed a letter addressed to WSDCC dated May 20, 2004 and signed by Phil Stutzman, PDC Director of Compliance.
- 3.6 Staff reviewed the following reports filed by the WSDCC's State Non-Exempt Account:
 1. 21 day Pre-General C-4 report filed on October 12, 2004.
 2. Amended 21 day Pre-General C-4 report filed on February 15, 2004.
 3. 7 day Pre-General C-4 report filed on October 26, 2004.
 4. Amended 7 day Pre-General C-4 report filed on February 15, 2004.
 5. Post-election C-4 report filed on December 10, 2004.
 6. Amended post-election C-4 report filed on February 15, 2004.
 7. C-3 report filed on October 22, 2004.
 8. Amended C-3 filed on January 24, 2005.
- 3.7 Staff reviewed a letter received on September 14, 2004 from Paul Berendt, WSDCC Chair, regarding a transfer of funds from WSDCC's Federal Account to its State Non-Exempt Account.
- 3.8 Staff reviewed a letter concerning the transfer sent to Mr. Berendt by Susan Harris, Assistant Director of the PDC, on September 16, 2004.
- 3.9 Staff reviewed a letter received from Paul Berendt on February 18, 2005, concerning the reporting issues related to this investigation.
- 3.10 The following persons were interviewed under oath:

1. Paul Berendt, interviewed on March 18, 2005.
2. Annette Anderson, former WSDCC Chief of Staff, interviewed on April 28, 2005.
3. Jaxson Ravens, WSDCC Executive Director, interviewed on May 16, 2005.
4. Phil Lloyd, consultant for WSDCC, interviewed on May 16, 2005.

IV.

APPLICABLE LAW AND ADMINISTRATIVE RULE

- 1.1 RCW 42.17.080 and .090 require political committees to file timely, accurate reports of contributions and expenditures. Reports of monetary contributions must include details concerning individual contributors. Reports of expenditures must include actual or estimated obligations of over \$250 that were outstanding during the period covered by the report, and obligations of over \$50 that have been outstanding for more than 30 days.
- 1.2 WAC 390-16-205 requires expenditures made on behalf of a political committee by any person or entity employed or retained for the purpose of organizing, directing, managing or assisting the committee's efforts to be reported as if made or incurred by the committee directly, with the amount and purpose of each payment or order placed on the committee's behalf, and the name of each vendor utilized.

Respectfully submitted this 26th day of May, 2005.



Tony Perkins
Political Finance Specialist

EXHIBIT LIST

- Exhibit 1** Complaint filed by Vicki Rippie on February 25, 2005.
- Exhibit 2** Letter received from Paul Berendt on September 14, 2004.
- Exhibit 3** Letter sent by Susan Harris on September 16, 2004.
- Exhibit 4** Form C-3 filed by WSDCC on October 22, 2004.
- Exhibit 5** First page of C-3 filed by WSDCC on January 24, 2005.
- Exhibit 6** Letter received from Paul Berendt on February 18, 2005.
- Exhibit 7** Original C-4 for the 21 day pre-general election period, filed on October 12, 2004.
- Exhibit 8** Amended C-4 and Schedule B for the 21 day pre-general election period, filed on February 15, 2005.
- Exhibit 9** Original C-4 for the 7 day pre-general election period, filed on October 26, 2004.
- Exhibit 10** Amended C-4 and Schedule B for the 7 day pre-general election period, filed on February 15, 2005.
- Exhibit 11** Original C-4 and Schedule B for the post-general election period, filed on December 10, 2004.
- Exhibit 12** Amended C-4 and Schedule B for the post-general election period, filed on February 15, 2005.
- Exhibit 13** Spreadsheet comparing WSDCC LMC and debt reporting.
- Exhibit 14** Copy of an example "Expense / Reimburse Request" for WSDCC candidate support expenditure, received from Jaxon Ravens on May 16, 2005.
- Exhibit 15** Settlement agreement and judgment entered in Thurston County Superior Court on June 25, 2003 in *Public Disclosure Commission vs. WSDCC*.
- Exhibit 16** Letter from Paul Berendt to the PDC received on April 1, 2004, with a letter dated March 31, 2004 from Phil Lloyd to the WSDCC.

Exhibit 17 Auditor's Opinion Letter in PDC Case No. A03-044, dated May 20, 2004, signed by Kurt Young.

Exhibit 18 Letter addressed to WSDCC dated May 20, 2004 and signed by Phil Stutzman.